

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3205-01
BILL NO.: HB 1424
SUBJECT: Economic Development Department; Environmental Protection; Taxation and
Revenue - Income
TYPE: Original
DATE: February 14, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(\$49,262)	(\$917,657)	(\$851,710)
Total Estimated Net Effect on <u>All</u> State Funds*	(\$49,262)	(\$968,281)	(\$852,175)

*Unknown revenue loss from tax credits could be substantial.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Health (DOH)** state it is unknown how many people would utilize this tax credit. However there were approximately 549,900 housing units listed as pre-1950 (most likely in need of lead abatement work) in the 1990 census data for Missouri. The calculations are based on no applications in year 1, 1% of the pre 1950 housing owners or 5,500 of tax credit applications in year 2, 5,800 in year 3 (an approximate increase of 5% per year).

DOH state the administering FTE would receive the applications, review them, assure the applications included an initial inspection performed by a state licensed lead inspector or risk assessor (in the event of an elevated blood lead child the health department pre and post abatement risk assessment report would be adequate), and assign a district health department lead inspector to review the plan and investigate the site to assure that the work was accomplished as stated. Upon satisfactory investigation results, the administering FTE would issue a certificate of tax abatement and maintain records of applications and approvals or denials.

DOH estimates a rate of 2 hours of processing time per application. If 5,500 were processed per year time at 2 hours each (11,000 hours /2,080 hours per FTE) 5 FTE reviewers would be required. DOH estimates the number of inspectors needed are based on a total of 4 hours per investigation (2 hours of on site and 2 hours for application review and write up). DOH states to process 5,500 applications per year would equal $(5,500 \times 4 = 22,000 \text{ hours annually} / 2,080 \text{ FTE hours})$ 11 inspectors would be required. DOH would need to review the plans and the site to assure the abatement work meets work practice standards.

DOH estimates they would need one (1) Accountant Analyst II who would be housed in the central DOH offices, hired the first year to write the policies, procedures, and forms to make it possible to administer and advertise the program. The position would hire and then supervise the 11 inspectors, 5 application processors and a clerk typist to support the staff. Five (5) Health Program Representatives would also be housed in the central DOH offices, assist in the review of the applications, assure that inspectors and workers were properly licensed, and that the applicants meet the criteria for tax abatement, issue the certificates and maintain records. Eleven (11) Environmental Specialist IIs would need to be trained and licensed. The positions would review the applications for technical integrity, inspect the sites around the state, approve or deny them. The positions would not require offices but would be expected to be on the road all over the state perhaps the most heavily in the large metropolitan areas. One (1) clerk Typist II would be housed in the DOH central office and provide clerical support to program staff.

Office of Secretary of State (SOS) officials state the proposal creates an income tax credit for ASSUMPTION (continued)

owners of real estate that contains a child-occupied involved in a qualified lead abatement project. SOS states that based on experience with other divisions, the rules, regulations, and forms issued by the Department of Health could require as many as approximately six pages in the "Code of State Regulations". SOS states that for any given rule roughly half again as many pages would be published in the "Missouri Register" as in the "Code" because cost statements, fiscal notes, and the like are not repeated in the "Code". SOS states these costs are estimated. SOS estimates the cost of a page in the "Missouri Register" to be \$22.50. SOS estimates the cost of a page in the "Code" to be \$26.50. SOS states the actual costs could be more or less than the numbers given. SOS states the impact of this proposal in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded, or withdrawn. SOS states the proposal alone does not require additional personnel but the cumulative effect of other proposals that require rulemaking activity may, in the aggregate, necessitate additional staff.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Revenue (DOR)** state the proposal would authorize a tax credit for the cost of lead abatement. The tax credit would be equal to 50% of the costs for taxpayers in census tracts over the poverty level and 100% for taxpayers in census tracts under the poverty level. The tax credit could not exceed \$50,000 per taxable year. Any entity receiving an excess of \$10,000 in tax credits could transfer, assign or sell the tax credits. The tax credit could be carried over to the next four succeeding tax years. The Missouri Housing Development Commission would certify each tax credit to the Department of Revenue.

ADMINISTRATIVE IMPACT:

The number of taxpayers eligible for this tax credit is unknown at this time. The Division of Taxation, Personal Tax Bureau, would need one temporary tax season employee (\$8.00 an hour) for every 130,000 returns filed (key entry) and one Tax Processing Tech I for every 2,000 credits claimed each year (processing). One Tax Processing Tech I would also be needed for every 3,000 additional pieces of correspondence generated by this proposal. The Division of Taxation, Business Tax Bureau, would need one Tax Processing Tech I for every 3,680 credits claimed.

This proposal would require modifications to the individual and corporate income tax systems. The Division of Taxation estimates these modifications, including programming changes, would require 1,384 hours, a cost of \$41,617. Modifications to tax returns and schedules would be ASSUMPTION (continued)

completed with existing resources. State Data Center charges would increase due to the

additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$451 is requested for on-going costs.

Officials from the **Office of Administration - Budget and Planning** stated they have no data available to determine the fiscal impact of this proposal. The proposal would have no impact to their agency.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
GENERAL REVENUE FUND			
<u>Loss - Department of Health</u>			
Qualified lead abatement tax credits	\$0	(Unknown)*	(Unknown)*
<u>Costs - Department of Health</u>			
Personal service (18 FTE)	(\$26,330)	(\$523,585)	(\$535,650)
Fringe benefits	(\$8,096)	(\$161,002)	(\$164,712)
Expense and equipment	<u>(\$14,836)</u>	<u>(\$233,070)</u>	<u>(\$151,348)</u>
Total <u>Costs</u> - Department of Health	<u>(\$49,262)</u>	<u>(\$917,657)</u>	<u>(\$851,710)</u>
<u>Costs - Department of Revenue</u>			
Reprogramming costs	\$0	(\$50,624)	(\$465)
Total <u>Costs</u> - Department of Revenue	<u>\$0</u>	<u>(\$50,624)</u>	<u>(\$465)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$49,262)</u>	<u>(\$968,281)</u>	<u>(\$852,175)</u>

***Revenue loss from tax credits could be substantial.**

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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FISCAL IMPACT - Small Business

Small businesses would expect to be fiscally impacted to the extent they may incur additional administrative costs and be able to claim the tax credit as outlined in this proposal.

DESCRIPTION

This proposal would authorize various state tax credits to owners of certain child-occupied facilities who participate in a lead abatement project. The credit would be taken against income tax, franchise tax, or financial institutions tax. The credit would be equal to 50% of the lead abatement cost to the owner and cannot be claimed in more than two consecutive years. The credit would not be refundable but can be carried back for three years or forward for five years. The proposal would require a tax certificate from the Department of Health to qualify for the credit. The credit would apply to tax year 2001 and thereafter.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Division of Budget and Planning
Department of Revenue
Department of Health



Jeanne Jarrett, CPA
Director
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